

Message Text

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45

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ADP-00 FSE-00 AID-20 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 PER-05 ABF-01

RSR-01 /117 W

----- 041509

R 250920 Z JUN 73

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 9010

INFO AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY LONDON

AMEMBASSY TOKYO

UNCLAS SINGAPORE 2559

E. O. 11652: N/A

TAGS: EFIN

SUBJECT: SINGAPORE DOLLAR FLOAT

SUMMARY

US DOLLAR CONTINUES TO DROP AGAINST SINGAPORE DOLLAR.

LOCAL BANKERS BELIEVE IT WILL LOSE FURTHER GROUND BEFORE

LEVELING OFF. FINAL STABILIZATION

POINT WILL DEPEND ON EEC AND TOKYO MONEY MARKETS.

END SUMMARY

1. BANKS IN SINGAPORE ARE BUYING US DOLLAR CHECKS AT
FOLLOWING RATE:

BANK OF AMERICAN D\$2.34

FIRST NATIONAL CITY BANK S\$2.355-2.356

CHASE MANHATTAN S\$2.330

FIRST NATIONAL BANK OF CHICAGO S\$2.395-2.36

AMERICAN EXPRESS II SY S\$2.350

OVERSEAS CHINESE BANKING CORP. S\$2.355

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2. LOCAL BANKERS BELIEVE EXCHANGE RATE WILL CONTINUE TO CREEP DOWNWARD. RATE MAY FALL AS LOW AS S\$2.30 TO US\$1. WHAT HAPPENS IN NEXT FEW WEEKS WILL DEPEND LARGELY ON MONEY MARKETS IN EUROPE AND JAPAN. ONE BANKER IN OVERSEAS CHINESE BANKING CORP. EXPECTS HONG KONG, AUSTRALIA AND NEW ZEALAND TO FLOAT THEIR CURRENCIES SOON. BANKERS DO NOT BELIEVE RELATIVE STRENGTHS OF SINGAPORE DOLLAR AND MALAYSIAN RINGGIT WILL INFLUENCE GOS IN CONTINUING FLOAT. CONSENSUS IS THAT FLOAT WILL CONTINUE FOR FORSEEABLE FUTURE.

3. BANKERS IN AGREEMENT THAT GOS FLOATED DOLLAR FOR TWO PRIMARY REASONS: 1) TO SLOWDOWN IMPORTED INFLATION AND 2) TO CHECK THE INFLOW OF US DOLLARS INTO SINGAPORE. INFLATION HAS RECENTLY BECOME A PROBLEM IN SINGAPORE FOR FIRST TIME SINCE INDEPENDENCE. BY FLOATING DOLLAR SINGAPORE EXPORTS WILL SUFFER COMPETITIVE LOSS BUT GOS FELT INFLATION WARRANTED THIS MARGINAL LOSS OF COMPETITIVENESS. BANKING COMMUNITY HAS LONG FELT SINGAPORE DOLLAR UNDERVALUED AND GOS DECISION TO TAKE LOSS ON USOC DOLLARS IT NOW OWNS WILL SAVE MONEY IN LONG RUN.

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*** Current Classification *** UNCLASSIFIED

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KUALA LUMPUR
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